

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE TENNESSEE ECONOMY

The importance of small business to the state of Tennessee is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, Tennessee had 106,644 businesses with employees; 97.4 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 212,000 self-employed persons in 1996, for an estimated total of 318,644 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 5.5 percent to \$9.7 billion in 1996, while wage-and-salary income rose 4.7 percent. Total personal income rose 4.8 percent to \$77.5 billion. The state also exported \$9.3 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 139,300 women-owned businesses in Tennessee, including part-time firms, employing 262,700 people and generating \$29.5 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 89.9 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 43.1 percent from 1987 to 1992, totaling 14,920 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 189.2 percent during the same time period with 1,602 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 1,664 in 1987, to 3,026 in 1992, representing an 81.9 percent increase.

**Business Turnover** - The number of new firms decreased 1.3 percent, while new business incorporations decreased 5.0 percent in 1996. Financial difficulties leading to business bankruptcies increased by 14.3 percent and business failures increased by 34.1 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Tennessee decreased from 250 in 1994 to 238 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
AMERICAN CITY BK	Tullahoma
TRADERS NB	Tullahoma
JACKSON B&TC	Gainesboro
VOLUNTEER B&TC	Chattanooga
FIRST BK	Lexington
FARMERS & MRCH BK	Clarksville
FIRST ST BK	Covington
CITIZENS BK	Carthage
CITIZENS NB	Athens
FARMERS BK	Portland
BANKFIRST	Knoxville
BANK OF GOODLETTSVILLE	Goodlettsville
BARRETVILLE B&TC	Barretville
VOLUNTEER BK	Jackson
SUNTRUST BK EAST TN NA	Knoxville
FIRST AMER NB	Nashville
FIRST TENNESSEE BK NA MMPHS	Memphis

**Job Growth** - Small businesses created 311,924 of the 366,190 net new jobs from 1992 to 1996. Very small businesses (< 20 employees) created 59.7 percent of the small business growth with 186,176 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	132,450	53,726	48,582	77,166	54,266	366,190
Manufacturing	4,287	5,625	5,535	15,514	(17,555)	13,406
Retail Trade	28,572	6,158	7,915	8,473	(7,567)	43,551
Services	64,019	26,284	26,007	42,628	64,934	223,873
Other	35,572	15,661	9,125	10,551	14,453	85,361

**Industries** - The composition of small business in Tennessee is very diverse. The Health Services industry is the largest small business employer in Tennessee, followed by Eating & Drinking Places. The fastest growing industry for small business is Miscellaneous Manufacturing Industries (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Tennessee by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	2,041,972	100.0	47.2
Health Services	8000	229,559	11.2	36.6
Eating & Drinking Places	5800	145,577	7.1	53.9
Business Services	7300	118,401	5.8	48.2
Wholesale Trade - Durable Goods	5000	73,530	3.6	72.4
Food Stores	5400	66,910	3.3	38.8

Table 2, Top Five Small Business Industries in Tennessee by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	964,513	100.0	47.2
Health Services	8000	83,972	11.2	36.6
Eating & Drinking Places	5800	78,536	7.1	53.9
Business Services	7300	57,090	5.8	48.2
Wholesale Trade - Durable Goods	5000	53,224	3.6	72.4
Special Trade Contractors	1700	52,420	2.7	94.6

Table 3, Fastest Growing Industries for Small Business in Tennessee, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	944,822	964,513	19,691	2.1
Miscellaneous Manufacturing Industries	4,666	5,098	432	9.3
Heavy Construction	11,022	11,986	964	8.7
Engineering, Accounting, Research, Management, & Related Services	24,708	26,675	1,967	8.0
Motor Freight Transportation & Warehousing	22,536	24,300	1,764	7.8
Special Trade Contractors	48,732	52,420	3,688	7.6

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.